HT MEDIA LIMITED
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CIN : L22121DL2002PLC117874

ANNEXURE- D

Report of the Audit Committee of HT Media Limited recommending the draft Scheme of Arrangement between HT Media Limited and HT Digital Ventures Limited and their respective shareholders and creditors, at its meeting held on August 25, 2017

Members present:

1. Shri K.N. Memani
2. Shri Ajay Relan
3. Shri Shamit Bhartia

1 Background:

a) HT Media Limited ("HTML" or the "Demerged Company") is a public limited company incorporated under the provisions of Companies Act, 1956 on December 03, 2002 bearing Corporate Identification Number L22121DL2002PLC117874. The registered office of HTML is situated at 18-20, Kasturba Gandhi Marg, New Delhi – 110001. The equity shares of HTML are listed on BSE Limited ("BSE") & National Stock Exchange of India Limited ("NSE").

The Company is engaged in the following key businesses:

(1) Printing and publication of newspapers and periodicals
(2) FM Radio Broadcasting
(3) Entertainment & Digital Innovation Business
(4) Operating Online job portal "shine.com"

b) HT Digital Ventures Limited ("HTDVL" or the "Resulting Company") is a public limited company incorporated under the provisions of Companies Act, 2013 on August 14, 2017 bearing Corporate Identification Number U74999DL2017PLC322147. The registered office of the Resulting Company is situated at Hindustan Times House, 2nd Floor, 18-20, Kasturba Gandhi Marg, New Delhi - 110001. The Resulting Company is a wholly owned subsidiary of HTML.

c) The proposal to approve a Scheme of Arrangement under Sections 230 to 232 read with Section 66 of the Companies Act, 2013 between HT Media Limited and HT Digital Ventures Limited and their respective shareholders and creditors ("Scheme"), the draft of which was placed before, and considered by the Audit Committee at its meeting held on August 25, 2017 at 11:30 A.M. at Hindustan Times House, 2nd Floor, 18-20, Kasturba Gandhi Marg, New Delhi - 110001.

d) The Scheme envisages, demerger of 'Entertainment & Digital Innovation Business' (as defined in the Scheme) of HTML and transfer and vesting thereof into the Resulting Company; in discharge of the consideration therefor, issue and allotment of equity shares by the Resulting Company to the shareholders of HTML as per the Share Entitlement Ratio enshrined in Clause 12 of the Scheme; and cancellation of the existing equity shareholding of HTML in the Resulting Company. The above Scheme is in compliance with the provisions of Section 2(19AA) and other applicable provisions of the Income Tax Act, 1961.

e) The Report of the Audit Committee, is made in order to comply with the requirements of circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 on Scheme of Arrangements by Listed Entities issued by the Securities and Exchange Board of India. ("SEBI Circular").

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f) The following documents were placed before the Audit Committee:

(1) Draft Scheme of Arrangement;
(2) Share entitlement ratio report dated August 25, 2017, issued by Jain Jindal & Co., Chartered Accountants;
(3) Fairness Opinion on Share entitlement ratio on the Scheme dated August 25, 2017, issued by Finshore Management Services Limited, a SEBI Registered (Category -I) Merchant Banker;
(4) Certificate of Networth of the Company dated August 25, 2017 issued by MRKS & Associates, Chartered Accountants; and
(5) Draft Certificate from S.R. Batliboi & Co. LLP, Statutory Auditors of the Company, confirming the accounting treatment mentioned in the Scheme is in compliance with the applicable accounting standards notified under the Companies Act, 2013 and other generally accepted accounting principles.

2 Proposed Scheme of Arrangement

2.1 Rationale of the Scheme

The Audit Committee took note of the particulars, rationale and benefits of the Scheme. The Audit Committee also noted that the Scheme is likely to offer benefits to HTML and the Resulting Company as under:

a) The Entertainment & Digital Innovation Business of HTML has significant potential for growth. The nature of risk, competition, challenges, opportunities and business operations of the Entertainment & Digital Innovation Business is separate and distinct from other businesses of HTML. Thus, the Scheme, which envisages demerger of Entertainment & Digital Innovation Business into a separate company, would enable this business to innovate, scale up and run independently to pursue growth opportunities in a more focused manner.

b) As part of the Resulting Company, the Entertainment & Digital Innovation Business shall be amenable to benchmarking, and be in a position to attract the right set of investors, strategic partners, employees and other relevant stakeholders.

c) There would be enhanced focus on the operations of the Entertainment & Digital Innovation Business under a dedicated management team of the Resulting Company, who can chart out and pursue an independent strategy to maximize value creation for stakeholders. Likewise, there would be greater management focus on the Remaining Business of HTML.

d) The listing of shares of the Resulting Company on stock exchanges, would enable independent bench-marking of Entertainment & Digital Innovation Business, and give a distinct identity to the Entertainment & Digital Innovation Business which is independent, and accountable to the interest of all stakeholders and thus, would provide enhanced liquidity to the investors of HTML.

2.2 Salient features of the Scheme

a) The "Appointed Date" for the Scheme shall mean March 31, 2018(at close of business hours).

b) "Effective Date" means the date on which the last of the conditions mentioned in Clause 18 of Part C of the Scheme is fulfilled and the Scheme is made effective with effect from the Appointed Date.

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c) Upon the coming into effect of this Scheme and with effect from the Appointed Date, the "Entertainment & Digital Innovation Business" (including all the estate, assets, rights, claims, title, interest and authorities including accretions and appurtenances of the "Entertainment & Digital Innovation Business") shall, without any further act, instrument, deed, matter or thing, be demerged from HTML and stand transferred to and vested in the Resulting Company or be deemed to have been demerged from HTML, and transferred to and vested in the Resulting Company as a going concern, so as to become as and from the Appointed Date, the estate, assets, rights, claims, title, interests and authorities of the Resulting Company, pursuant to Section 232 of the Act.

d) Upon the coming into effect of this Scheme, all legal or other proceedings (including before any statutory or quasi-judicial authority or tribunal) by or against HTML, under any statute, whether pending on the Appointed Date, or which may be instituted any time in the future and in each relating to the Entertainment & Digital Innovation Business shall be continued and enforced by or against the Resulting Company after the Effective Date. In the event that the legal proceedings referred to herein require HTML and the Resulting Company to be jointly treated as parties thereto, the Resulting Company shall be added as a party to such proceedings and shall prosecute and defend such proceedings in co-operation with HTML. In the event of any difference or difficulty in determining as to whether any specific legal or other proceedings relate to the Entertainment & Digital Innovation Business or not, a decision jointly taken by the Board of Directors of HTML and the Resulting Company in this regard, shall be conclusive evidence of the matter.

e) Upon the coming into effect of this Scheme and subject to the provisions of this Scheme, all contracts, deeds, bonds, agreements, schemes, arrangements and other instruments of whatsoever nature in relation to the Entertainment & Digital Innovation Business to which HTML is a party or to the benefit of which HTML may be eligible, and which are subsisting or have effect immediately before the Effective Date, shall be in full force and effect by or against or in favour of the Resulting Company, as the case may be, and may be enforced as fully and effectually as if, instead of HTML, the Resulting Company had been a party or beneficiary or obligee thereto.

f) The transfer and the vesting of the assets, liabilities and obligations of the Entertainment & Digital Innovation Business under Clause 5 of the Scheme and the continuance of proceedings by or against the Resulting Company under Clause 6 of the Scheme shall not affect any transaction or proceedings already completed by HTML on or after the Appointed Date, to the end and intent that the Resulting Company adopts, accepts all acts, deeds and things done and executed by and/or on behalf of HTML in relation to Entertainment & Digital Innovation Business as acts, deeds and things made, done and executed by and on behalf of the Resulting Company.

g) Upon the coming into effect of the Scheme, all the employees relating to the Entertainment & Digital Innovation Business that were employed by HTML, immediately before the Effective Date, shall become the employees of the Resulting Company without any break or interruption of service and with the benefit of continuity of service on terms and conditions which are not less favourable than the terms and conditions as were applicable to such employees relating to the Entertainment & Digital Innovation Business of HTML immediately prior to the demerger of the Entertainment & Digital Innovation Business.

h) With effect from the Appointed Date and up to and including the Effective Date:

   (i) HTML undertakes to carry on and shall be deemed to carry on all businesses and activities and stand possessed of the properties and assets of the Entertainment &

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Digital Innovation Business, for and on account of and in trust for the Resulting Company.

(ii) All profits accruing to HTML and all taxes thereon or losses arising or incurred by it with respect to the Entertainment & Digital Innovation Business shall, for all purposes, be treated as and deemed to be the profits, taxes or losses, as the case may be, of the Resulting Company.

(iii) All accretions and depletions in relation to the Entertainment & Digital Innovation Business shall be for and on account of the Resulting Company.

i) The Resulting Company will be the successor of HTML vis-à-vis the Entertainment & Digital Innovation Business. Hence, it will be deemed that the benefits of any tax credits whether central, state, or local, availed vis-a-vis the Entertainment & Digital Innovation Business and the obligations, if any, for payment of taxes on any assets of the Entertainment & Digital Innovation Business or their erection and/or installation, etc. shall be deemed to have been availed by the Resulting Company, or as the case may be deemed to be the obligation of the Resulting Company.

j) Upon the coming into effect of this Scheme and in consideration of the transfer and vesting of the Entertainment & Digital Innovation Business of HTML in the Resulting Company, the Resulting Company shall, without any further act or deed, issue and allot to the equity shareholders of HTML, whose names appear in the Register of Members of HTML, on a date (hereinafter referred to as "Record Date") to be fixed in that behalf by the Board of Directors of HTML in consultation with the Resulting Company for the purpose of reckoning the names of the equity shareholders of HTML in the following proportion namely,:

"for every 4 (four) equity share of face value of Rs.2/- (Rupees two only) each held in HTML as on the record date, the equity shareholders of HTML shall be issued 1 (one) equity share of face value Rs. 2/- (Rupees two only) each credited as fully paid-up in the Resulting Company."

In terms of Clause 3.2 of the Scheme, it is proposed to sub-divide the face value of equity shares of Rs. 10/- each of the Resulting Company to face value of Rs. 2/- per equity share.

In issue and allotment of such shares of the Resulting Company to the equity shareholders of HTML, as aforesaid, the fractional entitlements shall not be taken into account, but such shares representing fractional entitlements shall be consolidated and thereupon, the Resulting Company will issue and allot shares in lieu thereof to a Director or Company Secretary or Key Managerial Personnel of the Resulting Company or such other person as the Board of Directors of the Resulting Company shall appoint in this behalf upon trust, who will sell them within such period of listing of the Resulting Company as may be decided by the Board of Directors of the Resulting Company, and distribute their sale proceeds (less expenses, if any) to the shareholders of HTML, who are entitled to such fractional shares of the Resulting Company.

k) On effectiveness of the Scheme and with effect from the Appointed Date, HTML shall account for Demerger of the Entertainment & Digital Innovation Business in its books of account in accordance with the Indian Accounting Standard (IND AS) prescribed under Section 133 of the Companies Act, 2013, as notified under the Companies (Indian Accounting Standard) Rules, 2015 and generally accepted accounted principles, as may be amended from time to time, as under:

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(i) All the assets and the liabilities of the Entertainment & Digital Innovation business being transferred shall be reduced at their Book Value as on the Appointed Date. (other than inter-company loan, if any, referred to in Clause 5.23 of the Scheme)

(ii) The difference between the book value of assets and book value of liabilities of the Entertainment & Digital Innovation business as on the Appointed date shall be adjusted against the Capital Reserve, to the extent required.

l) On effectiveness of the Scheme and with effect from the Appointed Date, since the transaction involves entities which are ultimately controlled by the same party before and after the transaction, the Resulting Company shall account for Demerger of the Entertainment & Digital Innovation Business in its books of account in accordance with Appendix C 'Business combinations of entities under common control' of the Indian Accounting Standard (Ind AS) 103 for Business Combination prescribed under Section 133 of the Companies Act, 2013, as notified under the Companies (Indian Accounting Standard) Rules, 2015 and generally accepted accounted principles, as may be amended from time to time, as under:

(i) The Resulting Company shall, record the assets and liabilities of the Entertainment & Digital Innovation business vested in it pursuant to this Scheme at the respective carrying amounts appearing in the books of HTML.

(ii) The Resulting Company shall credit its share capital account with the aggregate face value of the new equity shares issued by it to the equity shareholders of HTML pursuant to Clause 12.1 of this Scheme.

(iii) The difference between the carrying amount of the assets and liabilities as recorded under Clause 13.5 of the Scheme, and the share capital account credited with aggregate face value of the new equity shares as recorded under (ii) above, shall be recorded as Capital Reserve.

m) Simultaneously, with the issue and allotment of the new equity shares by the Resulting Company to the equity shareholders of HTML in accordance with Clause 12.1 of the Scheme, in the books of the Resulting Company, any equity shares held by HTML in the Resulting Company shall stand cancelled, extinguished and annulled on and from the Effective Date.

n) The reduction under Clause 13.2 of the Scheme in the Capital Reserve account of HTML shall be effected as an integral part of the Scheme in accordance with the provisions of Sections 66 of the Act and the order of the Tribunal, as the case may be, as applicable sanctioning the Scheme shall be deemed to be also the order under Section 66 of the Act for the purpose of confirming the reduction. The approval granted by the shareholders of HTML to the Scheme shall be deemed to be the approval for the purpose of Section 66 and other relevant provisions of the Act. HTML and the Resulting Company shall not be obliged or required to call for a separate meeting of its shareholders/ creditors for obtaining their approval for sanctioning the reduction in capital reserves. The reduction does not involve either a diminution of liability in respect of unpaid share capital or payment of paid up share capital under the provisions of Section 66 of the Act.

o) The Remaining Business, and all the assets, liabilities and obligations pertaining thereto, shall continue to belong to, and be vested in and be managed by HTML, subject to the provisions of the Scheme as may be applicable.

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p) HTML and the Resulting Company, by their respective Boards of Directors, may assent to/make and/or consent to any modifications/amendments to the Scheme, or to any conditions or limitations that the Tribunal and/or any other authority (including SEBI and stock exchanges) under law may deem fit to direct or impose, or which may otherwise be considered by them necessary, desirable or appropriate as a result of subsequent events or otherwise by them.

q) This Scheme is, and shall be conditional upon and subject to:

(i) The requisite consent, approval or permission from BSE, NSE and/or SEBI under Regulation 37 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, which by law or otherwise may be necessary for the implementation of this Scheme in compliance with the provisions of SEBI Circular;

(ii) The approval of the Scheme by the respective requisite majorities in number and value of the shareholders and/or creditors (where applicable) of the Companies in accordance with Section 230 to 232 read with section 66 of the Act;

(iii) The Scheme being sanctioned by the Tribunal in terms of Sections 230 to 232 read with section 66 and other relevant provisions of the Act and the requisite orders of the Tribunal;

(iv) Certified copies of the orders of the Tribunal sanctioning this Scheme being filed with the relevant Registrar of Companies by HTML and the Resulting Company as per the provisions of the Act, and

(v) If any part of this Scheme is found to be unworkable or unviable for any reason whatsoever, the same shall not, subject to the decision of the Board of Directors of the Companies affect the validity or implementation of the other parts and/or provisions of this Scheme.

(vi) This Scheme, although to come into operation from the Appointed Date, shall not become effective until the later of the following dates, namely:

- That on which the last of the aforesaid approvals and sanctions as mentioned in Clause 18.1, 18.2 & 18.3 of the Scheme shall be obtained or passed; or

- That on which all necessary authenticated/ certified copies of the Tribunal Order(s) being filed with the relevant Registrar of Companies by the Demerged Company and the Resulting Company respectively.

The last of such dates shall be the 'Effective Date" for the purpose of this Scheme.

r) In the event of any of the said sanctions and approvals referred to in Clause 18.1, 18.2, 18.3 and 18.4 of the Scheme not being obtained and/ or complied with and/or satisfied, this Scheme shall automatically stand revoked, cancelled and be of no effect, save and except in respect of any act or deed done prior thereto as is contemplated hereunder, or as to any rights and/ or liabilities which might have arisen or accrued pursuant thereto, and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or as may otherwise arise in law.

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s) As an integral part of the Scheme and at any time prior to the Effective date, the name of the Resulting Company may be changed to such other name as may be approved by the Board of the Resulting Company and the Registrar of Companies, subject to the Resulting Company filing necessary forms and applications with the Registrar of Companies in the said behalf. Approval of the shareholders of the Resulting Company and HTML to the Scheme shall be considered as the approval required under the provisions of Act for such change of name.

t) All costs, charges, taxes including duties, levies and all other expenses, if any (save as expressly otherwise agreed) of HTML and the Resulting Company arising out of or incurred in connection with implementation of this Scheme and matters incidental thereto, shall be borne by HTML.

2.3 The Audit Committee reviewed the Share Entitlement Ratio Report, Certificate of Networth along with the Fairness Opinion and took note of the recommendations made therein.

The Audit Committee also noted the draft certificate obtained from S.R. Batliboi & Co. LLP, Statutory Auditors of the Company, on the accounting treatment, prescribed in the Scheme, as required under the SEBI Circular.

3 Recommendation

The Audit Committee having considered and taken note of the aforementioned documents and the Scheme, hereby recommends the Scheme to the Board of Directors of the Company for its favorable consideration and approval, *inter alia,* taking into consideration the rationale and benefits of the Scheme, the Share Entitlement Ratio Report dated August 25, 2017 prepared by Jain Jindal & Co., Chartered Accountants, Fairness Opinion dated August 25, 2017 issued by Finshore Management Services Limited and Certificate of Networth dated August 25, 2017 issued by MRKS & Associates, Chartered Accountants.

BY ORDER OF THE AUDIT COMMITTEE
FOR AND ON BEHALF OF HT MEDIA LIMITED

(K.N. Memani)
Chairman - Audit Committee

HT MEDIA LIMITED

Date: August 25, 2017
Place: New Delhi

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